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5 better ways to give to charity

Some extra thought and planning can go a long way

The economy is having a negative impact on charitable organizations. Imagine Canada's recent Sector Monitor reported that 51% of charity leaders found economic conditions were translating into increased demand on resources and 50% were having difficulty fulfilling their missions. Just over a quarter said that their organization's existence was at risk and those with annual revenues under $149,999 are especially vulnerable. Fortunately, we are approaching the holiday season - an excellent time to raise funds.

According to research compiled by Statistics Canada there are many reasons for philanthropy: people have a relationship with a particular charity; they wish to create immortality by leaving a legacy; they want to feel good about themselves; they respond to social responsibility; or they just appreciate the tax advantages.

Charities should appeal to these reasons and focus attention on educating the public about the benefits of reconsidering the way they give. Many Canadians donate ad hoc, tossing money into donation bins or writing cheques to local charitable events. Instead, with some extra thought and planning, their generosity can be maximized to benefit both themselves and the charity.

A basic method is to donate securities, and giving them directly to a charity is a tax efficient way of financing philanthropy. The donor receives a charitable tax receipt for the full market value of the donated securities at closing on the day of the donation, exempt from capital gains.

Another simple way to extend generosity is to name a charity as the beneficiary of a registered plan. On death, the balance of the registered plan transfers directly to the charity and the estate receives a tax credit for the value on disposition. This can offset the tax on final income and effectively bypass probate. There is added flexibility because the donor can change the beneficiary if circumstances change.

Insurance can be used in a similar fashion with a charity named as beneficiary. When the donor passes, the charity receives the policy's cash surrender value plus any net accumulated dividends and interest. The resulting tax credit can be applied to a final tax return.

Some Canadians opt for a Donor Advised Fund. Donors make an irrevocable gift of cash and other assets to the fund, which are then invested to maximize the worth of the contribution and increase its value. Donors can make grant recommendations on which registered charities receive donations. In return they are provided with an immediate tax benefit that can be carried forward up to five years, and they have a continuing philanthropic legacy.

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A Charitable Remainder Trust is an option for older donors who wish to donate to charity but still require the income from their investment. Assets are transferred into a trust and the donor gets an immediate tax benefit. The donor continues to receive income during their lifetime and the charity receives the assets when the donor dies.

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